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The meeting ground of business and philanthropy

[Chicago]

[1913]

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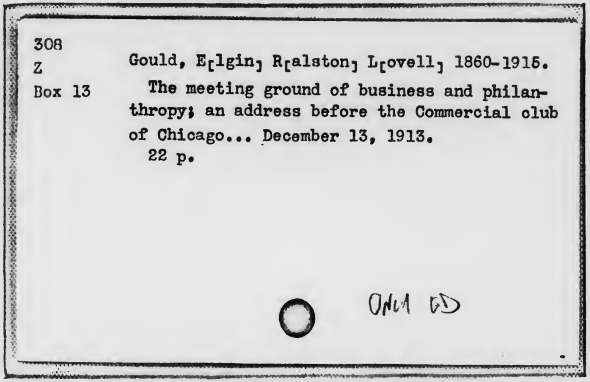
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The meeting ground of business and philanthropy; an address before the Commercial club of Chicago... December 13, 1913.
22 p.
ONM CD

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TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-26-97 INITIALS: B

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The Meeting Ground of Business and Philanthropy

AN ADDRESS
BEFORE THE COMMERCIAL
CLUB OF CHICAGO

BY

E. R. L. GOULD, PH. D., LL. D.

December 13, 1913

THE COMMERCIAL CLUB OF CHICAGO

The Commercial Club Organized 1877
The Merchants Club Organized 1896
United 1907

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THE MEETING GROUND OF BUSINESS AND PHILANTHROPY

"The Meeting Ground of Business and Philanthropy—a noble theme for discussion," I can hear some whisper, but is there any such place? "Business is business," and philanthropy is what?—The pastime of a few well-meaning rich, the shibboleth of reformers, the dream of exalted mystics. Surely the practical minds of Wall Street and La Salle Street need give no heed, or, at best, a passing thought, to such dreams and pastimes.

My own college days, a generation back in the reckoning of time, witnessed the major influence of physical and natural science. Men of high reputation asserted belief in the spontaneous origin of life, the chemical production of thought, and an ultimate material basis for all philosophy. Religion seemed to them a comfortable superstition, theology a discarded by-product, and immortality a socialized aspiration. But to-day we have the official spokesman of the British scientific world, Sir Oliver Lodge, expressing the conviction that "genuine religion has its roots deep down in the heart of humanity and in the *reality* of things"; that truth takes on spiritual as well as material forms. Contrast, if you will, his confident belief in personality after death with the dictum of a philosopher of the last generation: "Gone to eternal silence; gone to pathetic dust!" Continuity of life, continuity of spiritual power, continuity of religion as the greatest dynamic force in organized society—these, not the fathomed mysteries of the material universe, wonderful though they be, are the efficient constants in man's unending progress.

And we may liken the pursuit of business in the human world to the development of physical and natural science in the order of the known universe. Both, as ends in them-

selves, are incomplete, but both furnish the solid bases of human progress, the "stepping stones" to higher things. I shall not seek to make out a case for gift philanthropy, viz., charity. My own belief is that we are utilizing this powerful social agent far too much, and to the detriment of giver, dispenser, and recipient. To extend the field of charity much beyond the care of the helpless and for education is to encourage a distorted view of social trusteeship, and to create poverty of self-help. The great work of human conservation and social welfare should be founded upon the principles of coöperation of resources, participation in benefits, and a final joint result expressed definitely in terms of financial profit, and indefinitely, though none the less real, in ethical betterment.

The meeting ground of business and philanthropy is very broad. Its spacious domain gives hospitality to efforts and agencies classified as productive, preventive, and uplifting. Let us take counsel together upon three of these, all of prime importance.

Housing the plain people in large cities — I speak of it most often as giving the worthy poor a chance to live decently — is the most fundamental thing in social organization. The earliest conspicuous expositor of this doctrine was Earl Shaftesbury, who had been profoundly moved by the disclosures of Charles Dickens. That great novelist and greater humanitarian instituted a renaissance of social truth when he wrote in his preface to the "Pickwick Papers," "the universal diffusion of the means of decency and health is as much the right of the poorest of the poor as they are necessary to the safety of the rich and of the State."

Cardinal Manning once said, "Domestic life creates a nation." The corollary is just as true — the lack of it will unmake any nation. Wherever investigations have been made, social ills have been found largely concentrated in those parts of populous communities where housing is of the poorest sort. Strong-willed, self-respecting people may conquer the influences of environment, but the great mass,

beset by things which drag down, inevitably yield to the influence of surroundings. That which most determines the trend of life is the home. It is the character unit of society, and just as we have good homes or the opposite shall we have citizenship on the side of righteousness or the reverse.

Consider this question for a moment as it affects general health. Lord Beaconsfield once said, "The health of the people is the foundation upon which their whole happiness and their whole prosperity depend." Investigators like Sir James Paget have found that the money loss through bad health which is purely preventable, that which was brought on through unfavorable living conditions, amounted yearly to many millions of dollars. The one valuable thing that the working man has is his time. Loss of time is a loss which he can never make up, and so, to the masses of the people, health is of the greatest importance. Then we have the evil of drunkenness. Is it a mere chance that one finds those areas where the worst housing obtains to be also the regal domain of liquordom? Is it a mere chance that where people are herded together, as in some parts of New York City, a thousand to the acre, there emerge whole battalions of the immoral and other ne'er-do-wells? Or, can you wonder that, under the régime of human herding — I have mentioned New York, but that is not the only city of which these things are more or less true — the growing lad readily absorbs the philosophy of the streets and is early initiated into petty crime? Still less ought we to be surprised that the daughters of slumdom, deprived of a just heritage, wronged and wronging, pass the short measure of their days, a menace, yes, but also a reproach to our neglect. I might go on, but cumulative citation is not necessary to prove that proper provision for home life is the most fundamental of all questions relating to human environment.

How, then, shall we approach the solution of this question of decent homes for the worthy poor? Let me ask you to cultivate an attitude of mind in which you will believe that the problem exists, and, also, that it is your duty to do

something about it. You should see that proper building and health laws and municipal ordinances are made and enforced — remembering always that enforcement is more difficult than making. Not only must the houses of the future be suitable, but those places in which housing is irreparably bad must be obliterated. "What, at public expense?" Yes, even if you get nothing back but the land value, and even though capitalization of the rental value compels an exorbitant condemnation price. Better bear the penalty than continue the sin. Nothing costs like bad housing. Let us heed the remarks of the Nestor amongst housing reformers in this country, Mr. Alfred T. White.

"Is it not a curious inconsistency," says he, "that states and cities spend enormous sums in the effort to lessen the illness and undo the other evils caused by bad housing, where it would cost the state almost nothing to prevent it? For all that the state needs to do is to prohibit the building of obnoxious forms of housing, and immediately, in obedience to the potent law of supply and demand, private capital will build houses of the lawful and proper models."

And again, "Perhaps too much blame has been placed upon the people who built old-style tenement houses and too little on those who could have built better and who refused the responsibility. Working men and women must live somewhere and are obliged to take what they find. The business of providing proper homes for the majority of the residents of a great city ought not to be allowed to drop into the hands of ignorant and reckless men simply because those who could do better decline the task. Especially is this true when it appears that it is perfectly possible to provide safe and wholesome accommodations, with fair financial results to the owners, besides other returns which do not often accompany successful business ventures."

But the cheapest, the best, and the easiest way is to organize, just as for any other business purpose, companies to provide good housing for the poor. There is plenty

of precedent. Such provision has been made on a liberal scale in London. Fifteen years ago, I know, upward of $150,000,000 had been invested for this end, and 85 per cent of all the money was paying strictly commercial dividends. In New York we have invested up to date at least $10,000,000, of which $7,000,000 comes from the institution in which I am specially interested — the City and Suburban Homes Company. All that money is paying a fair rate of dividend also. That is why I say the solution of this problem is an easy one. Only one combination is sweeter than philanthropy and four per cent, and that is philanthropy and a higher per cent. That too can be realized.

We frequently hear that this is a work of supererogation, that the poor prefer to live as they do now. And in support thereof we have had cited that ancient and venerable lie, that if you put a bathtub in a workingman's tenement you will find that bathtub filled with coal. I have no doubt you have all read this and some of you have felt very sad about it. Well, I have personally seen the inside of over nine thousand workingmen's homes in the United States, Great Britain, France, Germany, Austria, Belgium, Holland, Italy, Sweden, Norway, Denmark and Spain, and never have I seen coal in a bathtub but once — I did not blame the people in that case, for there was so little space elsewhere.

You ask me: "If people are getting four or five per cent by providing better homes for the people, where does philanthropy come in?" That is a pertinent question and should be answered. In the first place, philanthropy outcrops in giving tenants twenty or twenty-five per cent better houses, more sanitary and comfortable accommodations, at current rates of rent. Larger courts are provided, better light and air. I speak particularly of the model tenements we have in New York. The second feature is that it is possible to provide family privacy and a great many comforts of living. In our model tenements, for instance, we have steam heat and hot water in all the apartments built in the last eight years. We have steam-dryers just as in the large

laundries, where the workingman's wife can dry her week's washing in an hour and a half. We have roof gardens — not elaborate — where the children can play instead of going to the dangerous and congested streets. We have a great many features of that kind, all of which are included in the rent, and which, as you may imagine, are appreciated. Then there are certain educative influences. One is highly ethical, though everybody does not believe so at first. It consists in the requirement of prompt payment of rent. You may not consider that a purely ethical arrangement. But it has very great advantages for landlord and tenant alike. It is easier for a man receiving a weekly wage to pay every seven days than to wait until the end of the month. Therefore we make our rents payable weekly. This inculcates good habits. A careful man is made of the tenant; he becomes considerate of his family. We teach the people habits of orderliness and cleanliness, not by the use of rules — we have just as few "thou shalt nots" as possible — but by the force of example. Those parts of the building which are under our management, the staircases, the halls, and so on, are kept scrupulously clean. The result is that in the course of time even those tenants who are least cleanly and tidy in their habits learn that it is better, wiser, and more self-respecting to live in that way than in the ways to which they had been accustomed. This is not accomplished without difficulty. But it is accomplished through the force of example generating public opinion amongst the tenants themselves. I remember a family of very uncleanly habits coming into one of our buildings some years ago, and though the garbage can was sent up on the dumb-waiter, and all the tenants had to do was to empty their refuse into it, she had other ideas, and got rid of her garbage by dumping it on the landing. The first morning this was done, one of her neighbors, coming out, noticed it. She knocked at the door of another neighbor, who came out, and the two held a sort of inquest on the hall-stairs. The testimony, being presented loudly enough

to be heard by the offender, was not altogether complimentary. The first result was that next day the garbage was put on the landing as before, and was placed carefully in front of the doors of the two neighbors. Having relieved her feelings, the delinquent never repeated the act. Ultimately she became a model tenant.

We have provided play-rooms in the basements where the children can find an outlet for physical energy in safe places, and can enjoy themselves together instead of playing precariously in the street.

We find it possible to be a little more lenient in the matter of pressing people whom we know to be trustworthy than an ordinary landlord would, and that is a helpful measure to persons in need. Very few abuse the extension of credit. Then, we allow an association of young church women the rental of a place to maintain a model housekeeping apartment. There anybody in the building can go and see how linen can be best taken care of and disposed in small space, what sort of china is best to use in a small flat, how it is possible to be economical in purchasing and efficient in cooking food. This is done without the suggestion of *imposing* anything upon our tenants, simply giving them an opportunity. In the summer we have "infants' feeding stations" where a well-known specialist comes twice a week, examines the children who are brought to him and who are not thriving for one reason or another. He carefully diagnoses their ailments and his trained nurses visit the families in their apartments — not merely in our buildings but in others in the neighborhood — to see that his directions are followed. Pure milk properly peptonized or mixed with barley water, or whatever is necessary, is sold at cost. And so, self-respect is maintained. It is a touching sight on hot July and August mornings to see the processions of mothers in front of these places.

Then, again, there is the multifarious service rendered by our corps of women managers, superintendents, and helpers on our large model tenement estates. I was strongly

advised against employing women for this purpose by friends in the real estate business who told me that the result would be to wreck our business. I have found it quite otherwise. Why is it not logical to believe that a woman should know better the personal side in the management of tenement property than a man. The art of keeping tenants is largely making the woman of the household content. And certainly, a woman knows better how to do this than a man. Is it preferable to send a young man for the rent, often at an inopportune moment, or to send a woman who comes in with a friendly "Good morning," and who can be received at any time. Our agents observe how tenants live —give wholesome, timely advice both as to the care of the property and of the family. We have found women very efficient as managers, though they cannot handle our very largest estates on the physical side as well as men. We need and we have women of very different types and temperaments for managers.

You will probably ask me, "Is such work appreciated?" Yes; the best evidence is that out of the 2755 model tenement apartments we have in New York, there is not a single vacancy to-day.

But even more conclusive evidence is the fact that out of $2,074,340.21 of rentals collected during the last five years from our own buildings, our losses from bad debts have been less than one quarter of one per cent. During last month [November, 1913] the losses from vacancies in a rent roll of $525,000 per year, were just $160.55. If people did not want good housing, would they pay for it, and pay for it so consistently as this?

Another striking evidence is the number of families who come back. I sometimes ask them why they return and the frequent reply is, "The children made us come back: they like to live here so much better than elsewhere." Anything that helps the child safeguards the next generation.

The question is often asked, "Do model tenements minister to the class of people for whom they are designed?

Do they not take care of people who could afford to live elsewhere?" In order to ascertain the facts, a careful census has recently been made of the occupants of our company's model tenement buildings, and there is no indication that they are tenanted by persons above the grade for which they were built. Specifically, results show that the greatest number of wage earning heads of families receive under $800 per year. In fact, our inquiry has disclosed a somewhat unexpected social-economic situation. In this country it is usually assumed that the husband and father supports the whole family, but our record shows that amongst the dwellers in our model tenement buildings this is only partially true.

Here is an accurate classification of occupations followed by all the tenants on our model tenement estates, who were in residence on April 30, 1912:

CLASSIFIED LIST OF OCCUPATIONS OF TENANTS WITH PERCENTAGES OF EACH CLASS

	No.	Percentage
1. Semi-mechanical	437	17.50%
2. Mechanics	492	19.70%
3. Clerical and office help	138	5.52%
4. Clerks in stores	104	4.16%
5. Factory workers	283	11.32%
6. Domestic service	428	17.13%
7. Transportation service	101	4.05%
8. Church, philanthropic and social workers	17	.68%
9. Unskilled labor	162	6.49%
10. Public service	7	.28%
11. Operatives, dress-makers, etc	158	6.32%
12. Journalists and literary workers	30	1.20%
13. Unclassified	141	5.65%
	2498	100.00%

A recent census on one of our large model tenement estates revealed the fact that the average wages of heads of

families occupying apartments of three rooms and private baths were a little less than $15.75 per week.

An earlier census on another estate showed that 52½ per cent of all heads of families earned $12 a week or less. Twelve dollars is the wage of common or unskilled labor.

Such figures effectually dispose of another common superstition whose belief harms the cause.

The City and Suburban Homes Company has recently extended its operations to the homing of working girls. The Junior League House, so called because 117 of the young society women of New York, headed by Mrs. Willard D. Straight, subscribed to the capital stock of the company to build the building, and a committee of that organization co-operates in the management. The building is a handsome six-story, fireproof, electric-lighted, steam-heated structure, with elevator, and is designed to accommodate 328 working girls with the requisite staff. The artistic appearance and homelike comfort of the interior are rivaled by the dignity and beauty of the exterior. Large porches overlooking the East River, artistic pergolas on the roof-garden, the massive doorways with marble trimmings, make it hard to realize that in an abode so beautiful and so comfortable the cost of living can be brought within the means of those who work in shops, factories, and offices; viz., from $4.00 to $6.00 per week. This price includes breakfast and dinner on week-days and three meals on Sundays. A light lunch to be carried away costs five cents.

On each of the five sleeping floors is a large living-room with a cheerful fireplace, tables, sofas, and chairs where guests who prefer may spend a quiet evening in lounging attire.

Bed-rooms are homelike, light, and comfortable. The white enamel beds are supplied with springs and mattresses of excellent quality. A closet and chiffonier provide ample accommodations for clothing. A table, rocking-chair, rug, and dainty window curtains complete the furnishing. All rooms are cared for by competent maids.

Ample bath and lavatory accommodations are provided and located at two points on each floor. There is a laundry with steam-drying chambers in the basement, open mornings and evenings for those who desire to do their own laundry work. A pressing and sewing room on the main floor is supplied with electric irons and sewing machines. Guests can make their own clothing with little expenditure of time and effort. Other conveniences include a writing-room, typewriting room, telephone booths, cloak-room, and a large trunk-room having individual compartments for guests. On the main floor is a large entertainment hall which will accommodate six hundred people. This hall is so arranged and furnished that it serves as a large sitting room while there is space enough left for dancing. A grand piano with electrical playing attachment is always ready for use. There is also a stage for use in theatricals, lectures, concerts, and other entertainments. Many "affairs" are given by guests living in the house, who are encouraged to organize to provide recreation. Adjoining this large hall is a library and reading-room. There is also on this floor a large reception room and six small rooms opening from it, which are popularly known as "courting-rooms," and I am pleased to say are frankly used as such. I need not describe the dining-room, or the kitchen and bakery, with their up-to-date equipments.

This working girls' hotel is unique in at least one respect; viz., that guests are not environed with restrictions. It is open day and night, and patrons may come and go at any hour they please. No serious embarrassment has yet arisen from this open door policy, and I feel confident none will arise.

Net returns have not yet quite measured up to the standard of the model tenements, but I am sure they will. The hotel is handicapped by being situated too far distant from convenient lines of transit.

The name City and Suburban Homes Company suggests more than has been outlined in what I have so far said.

We chose the name to typify the equal attention which we expected to pay to city and to suburban housing. It was our plan to invest equal sums in each form, but it has happened that the relative amounts to-day are approximately six and a quarter million dollars for the city, and three quarters of a million for the suburbs.

We might have carried out our original program if we had not catered especially to a class of people with very slender pocketbooks, those of financial ability much lower than the ordinary purchaser of a suburban home. Then, too, we have found an invisible deterrent in the "tenement germ." This has a real existence in New York, as much as the typhoid germ. It is a bacillus which especially attacks the women. Often cases arise where the husband is quite willing to take up suburban residence, but where the wife dreads removal from the stirring sounds of the fire and ambulance bells, the excitement of the police arrest in the corner saloon, and the invincible appeal of the moving-picture show. Once initiated to congested life in New York tenements, it is hard for the average family to break away.

Nothing is wrong with our plan. It is liberal and advantageous. We own about thirty acres, and control it with reference to the interest of purchasers as well as our own. We build artistic and substantial houses, and sell them upon the payment of ten per cent cash, giving twenty years' time in which to repay the balance in equal monthly instalments reckoned at six per cent interest upon deferred items. This enables purchasers to acquire homes in fee simple at as small, if not smaller, cost than the rental of a similar number of rooms in city tenements. The lives of purchasers are insured so that in case the wage-earner dies, the family is secure in the possession of a home. This is feasible, and is a good system to imitate.

An interesting movement which has attained considerable proportions in England is the so-called Garden City Movement. It is claimed that where houses are sold to individual purchasers the chances are that some will resell

their property to undesirable people who use it in such a way as to frustrate the good intentions of those who originally laid out a subdivision. They believe that in relation to house property it is of great importance to take the long view of things as distinct from the short view. Therefore, when an estate is laid out, it is laid out with as much open space as possible, and with plentiful provision for gardens, shrubbery, and other landscape effects.

Instead of individual ownership the disposal of houses is combined with safeguards to prevent this ownership taking on an anti-social aspect. Moreover, since one of the reasons why men who are able to provide individual homes for their families are loath to do so is that their working locality is not so firmly fixed that they can afford to tie themselves up with a house. To meet this the principle of co-partnership tenancy has been adopted.

The capital is raised through the sale of shares of low par value, and is usually paid up by instalments. A limitation is fixed upon the number of shares which any one may own. But any amount may be invested in what is called "loan stock," which, for the sake of illustration, we may refer to as "preference shares." A board of management is elected by the shareholders, and provision is made for representation of tenants.

The second division in this field of business and philanthropy united to which we may turn our attention is a provision for the worthy wage-earner and others, where the need of the loan is apparent, of opportunity for borrowing small sums of money without the necessity of submitting to the extortion of unscrupulous money-lenders, but at rates which are reasonable to the borrower and fairly remunerative to capital. It will enable the wage-earner to secure such moneys largely upon the faith of endorsements and guarantees and without the often embarrassing and burdensome requirement of a pledge of chattels or other valuables as collateral security for repayment. It will also provide opportunity for the systematic investment of small savings,

bearing a higher rate of interest than is otherwise feasible, and afford a basis for securing credit and encouraging thrift.

Carrying out the foregoing purposes, in addition to these immediate benefits, will, I believe, operate to put an end to much needless and injurious agitation and resulting dissatisfaction concerning financial and industrial conditions generally and foster a more intelligent and mutually advantageous understanding between labor and capital, between what our radical friends choose to distinguish as "the haves" and "the have-nots." Just as in the details I have given you in relation to model housing I drew from actual experience — the experience of the City and Suburban Homes Company, of New York, which has an unbroken dividend record of sixteen years at 4 per cent per annum, —so am I outlining here not a theoretical plan, but actual financial history. The Morris plan of industrial banking, or, as I prefer to call it, of industrial loan and savings, has been in successful operation through independent companies, employing in the aggregate approximately $2,000,000 of capital in Norfolk and Richmond, Virginia; Atlanta, Georgia; Charleston and Columbia, South Carolina; Memphis, Tennessee; Baltimore, Maryland; Washington, D. C.; Philadelphia, Pa.; St. Louis, Missouri; Denver, Colorado; and Springfield, Massachusetts. The directors of these various concerns are broad-minded, public-spirited, and business-wise, and operations have been financially profitable and sociologically useful. The most conspicuous result has been a great lessening of the "loan-shark" evil, probably the most pitiless exploitation to which our plain people are subjected. The rate charged by the loan-shark ranges from forty to four hundred per cent per annum. The great majority of transactions are at more than one hundred per cent. This places upon the loan-shark's victim a burden of interest that increases faster than his savings. The victim borrows from new sharks to pay old loans and thus adds to his debts beyond his capacity to pay. The "shark,"

armed with his victim's fear of exposure, holds continually over his head a threat of garnishment, foreclosure, or attachment, and the harassed and hopeless borrowers often seek relief by means that end in tragedy. But where there is no personal tragedy the burning sense of injustice inevitably finds expression in ill-will to those better off, in harboring revolutionary feelings, and in nursing a perpetual "grouch" against the existing social order. Many states of this Union have passed stringent laws against the loan-sharks. They may go on doing so for all time without greatly reducing the evil. The only way to deal with this and other social-economic evils is to offset it by something which does the work required justly, humanely, and efficiently. The Morris Plan of Industrial Banking is a practical remedial agency. The Atlanta institution reports that in one year it took up "1,150 loans made by money-sharks, with interest ranging from 5 per cent to 40 per cent a month." Savings to borrowers on the transactions amounted to $75,000 per annum. This means that, except for the relief afforded, the loan-shark victims would have paid $75,000 of interest during the year, and then would have been not one cent nearer liquidating the principal.

Let me read you a telegram I received from St. Louis a few days ago.

"St. Louis, Mo., Nov. 26, 1913.

"We opened business here January second, 1913. To date we have put 15 loan-sharks out of business, saving our customers more than $12,000 in usurious interest. We have made 3982 loans amounting to $366,700.

"Signed, A. A. BLUMEYER" [Cashier]

Let us take an intimate view of this system in operation, illustrating it by the procedure of a $50 loan. The borrower gives his note, with two co-makers, for $50, due one year later, and pays 6 per cent interest in advance. He then agrees to purchase, at $1.00 a week for fifty weeks, a Class "C" Certificate of Investment. This certificate, which as a rule bears no interest when hypothecated, is assigned as

additional collateral for the loan. At the end of fifty weeks the borrower has paid $50 on this certificate. Two weeks later his note becomes due. He can then withdraw the $50 paid on the certificate, pay the note, and the transaction is closed. Or he can make use of two options which are a distinct encouragement to future saving:—

(a) He may convert his Class "C" Certificate into an interest bearing (sometimes 5 and sometimes 6 per cent) Class "B" investment certificate, and pay his loan from outside sources.

(b) He may convert his paid-up Class "C" Certificate into a Class "B" interest bearing Certificate of Investment, put this up as collateral, take out a new loan for $50 and pay his old note with the $50 borrowed. He needs no endorsers for this latter loan, as the "B" Certificate is sufficient security.

When he takes out the second loan the borrower subscribes to another Class "C" Instalment Certificate. He pays $1.00 per week on this, and when it is paid up he withdraws the $50 paid on it, and cancels his note. This releases his "B" Certificate from hypothecation, and leaves him the owner of this certificate, worth $50 plus $2.50, or $3.00 interest. He started with a liability, he finished with an asset; and he can borrow on this asset at any time without furnishing endorsers or other security.

But this prodecure has done far more for him. His two years of careful saving have taught him the invaluable lesson of personal thrift, and have given him an altogether different social outlook. He has now a stake in organized society, and an impulse to go on saving to benefit his less fortunate or as yet unreflecting fellow-men. This impulse, born in necessity, nurtured in fair-dealing, and flowering in philanthropy and justice, accounts as nothing else accounts for the success of "Banca Popolare" of Italy, founded by Luzzatti, on this plan, in 1868 with $5,600 of paid-in capital. Three of these banks last year loaned to small borrowers of the kind of which we have been speaking more

than *one billion dollars*, with losses of six tenths of one hundredth per cent. Why may the American "small man" not have the same facilities as his Italian, French, and German confrère, and is there any reason to suppose that he would not avail himself of such facilities when provided? The people of England and the United States, in seeking the big things, have overlooked small things which, in the aggregate, are more important. Let us change the policy and point of view.

Before leaving this subject we may note that as a banking proposition it is sound. The borrower must show legitimate needs and present two endorsers of good character to guarantee his loan. Should the maker default through death or otherwise, there remain two to liquidate the loan, on easy terms. Experience has shown that the list of delinquents is exceedingly small, and the losses negligible. Moreover, this three-name paper grows better every week by the payments of 2 per cent increments of principal.

The large cost in ordinary banking is in connection with deposits; but here this is almost wholly eliminated as deposits as such are not accepted. The business requires no advertising, and the administrative expenses are small. There is no speculation about these institutions, no accumulation of idle funds, and investors in their capital stock are limited to a 6 per cent return upon book value.

The third division of my theme deals with what may be called "social insurance." Not much attention has been paid to it until recently in English speaking countries, though it has been incorporated for more than a generation in the social-economic policy of several continental European states. The underlying idea is not so much the abolition of poverty as its avoidance. In our present treatment of social misfortune we rarely distinguish between a man who, in spite of hard work and who through misfortune, becomes handicapped in life's race, and the idle, the drunken, and hopeless inefficients. We have not offered facilities for the avoidance of poverty. So, the socialistic agitator and others

of the anti-social group are left to inculcate the idea that a social system can be devised in which poverty shall be abolished. Is it not our business to offer facilities, with governmental co-operation sometimes, to help the people to find means for the avoidance of poverty? In Germany practicable schemes have been more completely developed than anywhere else. There we find in operation insurance against accidents, in which the risk of the various occupations has been actuarially worked out and where the main contribution comes from the industry and only the minor portion from the wage-earner; insurance against sickness, in which the major contribution is made by the wage-earner and the lesser by the employer; old-age pensions in which contributions are made equally by the employer and employee with an increment added by the State, leaving the aged worker an opportunity to retire and spend the last years of his life in a self-respecting position. These, I say, present fundamental and tangible benefits. Recently has come the suggestion that there should be insurance against unemployment. That, of course, is a difficult matter, because it raises new questions. But if actuaries have worked out a sound basis of insurance against burglary, and against the loss of rent, it should be possible to find a basis for insurance against unemployment.

It is not necessary to outline the relation between industrial efficiency and a contented mind. Greater stability of service may also be looked for. These two afford a splendid return on humanity regarding coöperation. Though indirect they are none the less tangible. It is a truism as old as the hills that whatever makes for contentment and well-being of employees redounds to the benefit of employers and the advantage of the State.

We in this goodly land have for half a century or more centered our eyes mainly upon the production of wealth. That is not wonderful, seeing the extent of Dame Nature's bounty every year. In traveling across the continent one remarks that the "big talk" seems to increase in direct

ratio to the distance west of the Mississippi until in California they no longer speak of "Our Country" but of "God's Country." Being in Chicago I am tempted to recall that the joint efforts of earth and sun add ten billions annually to our national wealth. But we must concern ourselves more and more with economic distribution and economic opportunity. Irresponsible agitation must not be left with undeniable facts upon which to base malevolence and diatribe. The needs, real legitimate needs of the worthy poor, must not go unattended because of our short-sightedness and neglect. We must eliminate social-economic forces which drag down, and substitute enviroining influence of the higher sort. We must stop that eminently illogical and harmful practice of "shedding tears over moral wrecks, and then endowing institutions for patching character after the disaster has come." The man in the street is doing more thinking than formerly and often is thinking wrongly, more often is he wrongly led. Soon he will be looking "cross-eyed" at every man of wealth. Ferment is stirring and he who has a dollar is misrepresented as having taken that dollar or a large part of it from the man who hasn't quite that much.

But all this is negative — just a warning. John the Baptist and the "mourner's bench" are useful in emergencies, but is there not a stronger, a positive, appeal? There is, and the best way to turn the mind of democracy is for us to give to collective interest a part of the time and thought we now concentrate on the purely personal. Let us make city government efficient and honest. Let us master our over-lords, the political boss, the public utility magnate, and the rural legislator. Let us *invest*, not *give*, a part of our substance in enterprises which typify common weal, the union of business and philanthropy. Remember that gifts which fall from dead men's hands are not philanthropy at all. The possession of wealth entails real responsibilities during life. Thus only may we expect social reform without socialism. Only thus shall we conserve and hand on

those three great principles of social organization—order, self-reliance and restraint.

I would leave with you the feeling that I have proposed nothing which does not belong to sound sense and economic propriety. Let there rest in your recollection three headlines, "Home" "Unnecessary Care" "A Friend in Need." What we must do may be done without sacrifice. The application of intelligence and good-will alone is necessary. There need be no new social state nor any miraculous change to ensure high character, contentment, and efficiency, which are the real enduring bases of a nation's life.

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